

LAB

COMMISSION DIRECTIVE

ADMINISTRATIVE MATTERS	<input type="checkbox"/>	DATE	<u>February 1, 2012</u>
MOTOR CARRIER MATTERS	<input type="checkbox"/>	DOCKET NO.	<u>2011-317-WS</u>
UTILITIES MATTERS	<input checked="" type="checkbox"/>	Order No.	<u>2012-86</u>

THIS DIRECTIVE SHALL SERVE AS THE COMMISSION'S INTERIM ORDER

SUBJECT:

DOCKET NO. 2011-317-WS - Application of Kiawah Island Utility, Incorporated for Adjustment of Rates and Charges --
A Hearing was Held on this Matter on November 30, 2011. This Matter is Ready for Final Disposition.

COMMISSION ACTION:

Move that we deny the Kiawah Island Property Owners Group's request to overrule the Hearing Officer's Denial of the Property Owners Group's Motion to Compel. In studying the record of the case, and the law, it is clear that the Interrogatories in question were served 8 days before the November 30, 2011 hearing. The Commission's Regulations call for service of such materials at least 10 days before the hearing. Therefore, the Property Owners Group was in violation of the Commission's procedural regulations, and the Hearing Officer correctly denied the Motion to Compel. I move that we affirm his action. Further, I move that the Property Owners Group's request that this Commission admit into evidence and take judicial notice of certain Charleston County property tax records also be denied. With regard to taking judicial notice, our regulations specifically require that any such material be made available before or during the hearing. The Property Owners Group failed to do so; therefore, judicial notice at this juncture would be improper.

With regard to the Kiawah Island rate request, I move that we adopt the Office of Regulatory Staff's proposed Order, with the 13.75% operating margin, as the Commission Order in this matter, with several modifications. First, I would note that the proposed order used the federal income tax rate of 35% from the ORS audit report. As was pointed out in intervenor testimony, the correct federal income tax rate was 34%, so the figures in the ORS Proposed Order need to be adjusted accordingly. Second, I think it is premature to consider the building of a second water supply line to Kiawah Island prudent without being able to review the expenses associated with that line. I therefore move that the reference to the prudence of the second water line in the ORS Order be deleted. Third, I am very troubled by the Company's failure to have the Cougar Island sales contract approved by this Commission prior to its execution. This is a direct violation of Commission regulations. Accordingly, Mr. Chairman, I move that we disallow all expenses connected with the Cougar Island property that were submitted in the Company's Application for ratemaking purposes during the test year. Before this Commission can consider these expenses in a future rate case, I believe that the Company must comply with Commission regulations and bring the Cougar Island sales contract before us at some future time for approval.

I recognize that all expenses related to the Cougar Island Property cannot be specifically ascertained from the financial information contained in the record. Therefore, I move that the Company is instructed to file a financial schedule and revised rates demonstrating the proposed increase based on the ORS proposed Order, adjusted to remove any and all Cougar Island expenses contained in the test year, adjusting income taxes for the use of a 34% federal income tax rate, and based on a 13.75% operating margin. Due to the statutory deadlines for decision in this case, I move that the Company file its financial schedule and its new revised rates with this Commission and serve it on the other parties within five (5) days of the date of the interim Directive/Order resulting from this motion (which Directive will be provided to the parties this day by electronic mail to the email addresses on file with the Commission) to reflect the resulting increase in its rate and charges. The merits Order in this case will be issued on or before February 8, 2012.

PRESIDING	<u>Howard</u>				Session:	Regular
	MOTION	YES	NO	OTHER	Time of Session	<u>2:00 p.m.</u>
FLEMING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		APPROVED	<u></u>
HALL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		APPROVED STC 30 DAYS	<u></u>
					ACCEPTED FOR FILING	<u></u>

HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MITCHELL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WRIGHT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Absent*

DENIED _____
 AMENDED _____
 TRANSFERRED _____
 SUSPENDED _____
 CANCELED _____
 SET FOR HEARING _____
 ADVISED _____
 CARRIED OVER _____
 RECORDED BY SCHMIEDING

*Commissioner Wright was voting via telephone (In Washington DC testifying before the Oversight Investigations Committee on Energy and Commerce